<u>Final Budget Cut Implementation Strategy</u>
Division of Services for People with Disabilities
April 29, 2009

1. Internal Reorganization to Resolve $907,000 Personnel Cut

After the 2009 legislative session, cuts to our Administration and Service Delivery (Support Coordination) budgets totaled $907,000. This included a last-minute, targeted cut of $607,000. Since our Administration and Support Coordination state general funds are matched with federal dollars, the actual impact of these general funds cuts is significantly higher. Here's how:

- Administration Cut = $105,100 which is 5.1% of the general fund we had prior to the cut. The total cut, including match is $210,200, which is 4.5% of the budget prior to the cut.

- Service Delivery Cut = $801,900 which is 17.5% of the general fund we had prior to the cut. The total cut, including 50/50 match is $1,603,800 which is 15.3% of the budget prior to the cut.

- If staff that receive FMAP match are cut, with the enhanced federal match of 79.7%, the general fund cut of $801,900 becomes $3,950,300 which is 37.8% of the total budget for service delivery.

In addition to these deep cuts, programs have remained frozen since last fall and Division leadership believes we are entering a period of significant and sustained budget difficulty. Thus, we believe reorganization is the best way to meet the immediate budget cuts and to prepare for the future.

We have attempted to implement the budget cuts with three principles in mind: (1) minimize cuts to people's services; (2) preserve employee livelihood as much as possible; and (3) prepare for a future of reduced budgets. After hearing from the people we serve, our employees, providers, advocates, members of the public and all other stakeholders, we believe this implementation strategy is the best way to resolve the cuts.

During the past few years, an increasing number of the Division's Support Coordinators have opted to leave the Division and work as privately employed support coordinators. Medicaid regulations require choice of any willing provider for support coordination. At least 25 Division employees have already become privately employed support coordinators, and many others have expressed interest.

The Division's Leadership Team has carefully reviewed whether accelerating the trend toward privately employed support coordination makes sense in light of our budget cuts. We have met with Division employees and members of the public. While concerns have been expressed, there have not been any new, concrete solutions proposed.

We are seeing some positive responses from current employees who are excited at the opportunity to work on their own as support coordinators. Further, some families and providers are also expressing enthusiasm, believing the private marketplace may produce better support coordination.

Thus, we have concluded that accelerating this trend, along with other reorganization strategies, will best allow us to meet the budget cuts.

Here is the final implementation strategy:

PROPOSED ACTIONS	**ESTIMATED GENERAL FUND SAVINGS**
Eliminate general fund-only contracts, including supported employment, Family to Family, Access Utah, and all others • Note: we have contacted these contractors by phone to let them know about the cuts	$230,000
Reduce general fund-only psychological assessments (not court ordered) from $100,000 per year to $5000 per year	$95,000
Eliminate all state office and regional overtime and comp time	$14,000
Eliminate all administrative on-call at the Developmental Center	$7,500
Collapse the regions and eliminate 1 of 3 Regional Director positions	$50,000
When leases expire in FY2009 and FY2010, reorganize or close the following Regional Offices: Bountiful, Brigham, Delta, Heber, Holladay, Manti, Moab, Ogden, Richfield, Spanish Fork, and Tooele • Note: we will keep: Blanding, Cedar City, Clearfield, Layton (Group Home), Logan (but will relocate to less expensive space if possible), Nephi, North Ogden (Group Home), Price, Provo, Sandy (Group Home), State Office, Salt Lake (1385 S. State), Spanish Fork (Group Home), St. George, St. George (Group Home), and Vernal	$160,000
Eliminate 24 support coordinators by July 1, 2009; it appears this can be accomplished through voluntary private employment, attrition and retirement	$160,200
By July 1, 2010, complete the assessment of the number and function of state employee support coordinators needed for transitions and failed placements • Note: it is very likely that the final number of state employee support coordinators will be fewer than 20; currently our best estimate is 12	To be determined
Restructure program managers (commonly called supervisors) with new duties and responsibilities; eliminate 2 state office program managers and 3 regional program managers	$147,825
Centralize Administrative Services Managers from the regions and	$40,000

eliminate 1 of 3.5 positions	
Increase support coordinator caseloads from 1 to 33 up to 1 to 34	$88,000
Centralize intake, reduce intake services, streamline the process by eliminating "up-front" eligibility determination; eliminate 2 of 10.5 positions • Note: one position was eliminated based upon probationary status	$44,250
Centralize waiting list management; eliminate 3 of 10 positions	$28,800
Consolidate regional office administrative support staff; eliminate 3 of 15.2 positions • Note: one position has been eliminated due to retirement, and the .2 FTE was a schedule AL and has been eliminated	$57,800
TOTAL GENERAL FUND SAVINGS	**$1,189,675**
TOTAL STAFF CUTS	**15**

The Division has engaged stakeholders at all levels. We have received good feedback, including feedback stating that the function of the two social worker positions was too critical to lose. Division leadership carefully considered all of the feedback in coming to this final implementation strategy.

Our expected outcomes include, but are not limited to: (1) protecting the people we serve and direct services; (2) significant, on-going cost savings; (3) greater choice of support coordinators; (4) competition among private support coordinators driving higher quality; (5) greater uniformity since we are eliminating the regions; and (6) enhanced objectivity as state-employee support coordinators will no longer act as advocates for the people they serve.

<u>Reduction In Force Process</u>

There are potentially as many as 15 employees in the categories listed above who may be subject to a reduction in force (RIF). It currently appears no RIFs will be required of Support coordinators, as enough are choosing to become privately employed. There are no plans to RIF additional people or categories, unless fewer than 24 support coordinators choose to become privately employed. If that is the case, enough support coordinators will be RIF'd to total 24. If an employee is not in one of the identified categories listed above, he or she will not be subject to RIF.

Further, a retirement incentive has been offered. One person in the "regional office administrative support" category has accepted the offer. People must declare their intention to retire by May 29, 2009. Retirements may mitigate the need to RIF employees in the affected categories identified above. But until May 29, we will not know for sure how much mitigation in the affected categories will occur. Also, it is important to note that the "soft freeze" on hiring remains in effect, so retirees in all job categories will not be replaced unless there is an acute need for hiring.

Division leadership will immediately begin the process of developing a "Workforce Adjustment Plan" in accordance with new Human Resources regulations. This new process for determining who is RIF'd essentially requires that we create objective performance-based criteria as well as considering longevity. Division leadership will develop the criteria in conjunction with supervisors and regional leadership.

For the employees in the identified categories above, notification of RIF is likely to happen in the first week of June, 2009.

2. Reassessment and Transition Planning for the People Impacted by the $265,000 Cut to our Non-Medicaid Services

The Division has a small state funded-only service that is provided to people with disabilities who do not qualify for Medicaid. They may not qualify for Medicaid because their assets are slightly too high, or because they do not quite meet the level of care for institutional placement. Nevertheless, their needs are significant and the Division can meet their needs at a low cost, thereby avoiding more expensive services.

Unfortunately, our funding for this program was cut by $265,000, or about half of the state general funds. To meet this cut, Regional Directors, supervisors and support coordinators will begin assessing the needs of these people. Our goal will be to qualify as many as possible for Medicaid or other programs to meet their needs. If that is not possible, we will strive to trim service levels rather than completely cut services. However, given the magnitude of the cut, some people may be completely cut from services. It is important to note that Senate Bill 81, which will be implemented July 1, 2009, means that we will have to cut non-documented people from services. We will develop transition plans for this group and all others who are cut completely from services.

3. Process Improvements to Assist our Providers with their Rate Cut

Provider rates were "rolled back" roughly 3.5%. This cut will be difficult for providers, especially considering the increase in the federal minimum wage that will go into effect later this year. To assist our providers, we are looking at several process improvements.

First, we have formed a "process improvement team" (PIT) to review the Division's labor usage report. This is an audit and quality report the Division uses to ensure that providers are actually delivering the purchased number of hours of service. Providers have expressed concern about the administrative burden placed upon them by this report and the lack of flexibility it creates. The PIT (which will include using the provider solutions workgroup model, Division employees, and others) will review the labor usage report for possible improvements.

Second, the Division is developing an objective, strengths-based needs assessment tool to ensure that a person's strengths and natural supports are fully assessed before his or her budget is set. We believe this tool will be very helpful in creating more objective, uniform budgets. Again, we plan to form a PIT (which will include the provider solutions workgroup model, Division employees, and others) to review the tool and ensure its validity. Additionally, we will engage an outside consultant to review the tool.

Finally, we are continuing our utilization review of our high-cost, intensive placement people. The utilization reviews that have been done already have revealed a need for more frequent review. It has also uncovered excessive use of one-on-one services, which are very costly and an invasion on the rights of the people we serve. We anticipate that the utilization review process will aid in matching a person's budget to their need. This should free up additional funding for other people we serve. We have started meeting with providers to let them know about our recommended changes and to solicit provider feedback.

Conclusion

The Division recognizes that these changes represent a large restructuring. Change is always difficult, even in the best of circumstances. But we need to implement the cuts that the legislature made, and prepare for a future of reduced funding. In the end, we believe this implementation strategy is the best way for us to meet this need.